

# Financial Status Report

*Prepared by the Finance Department*

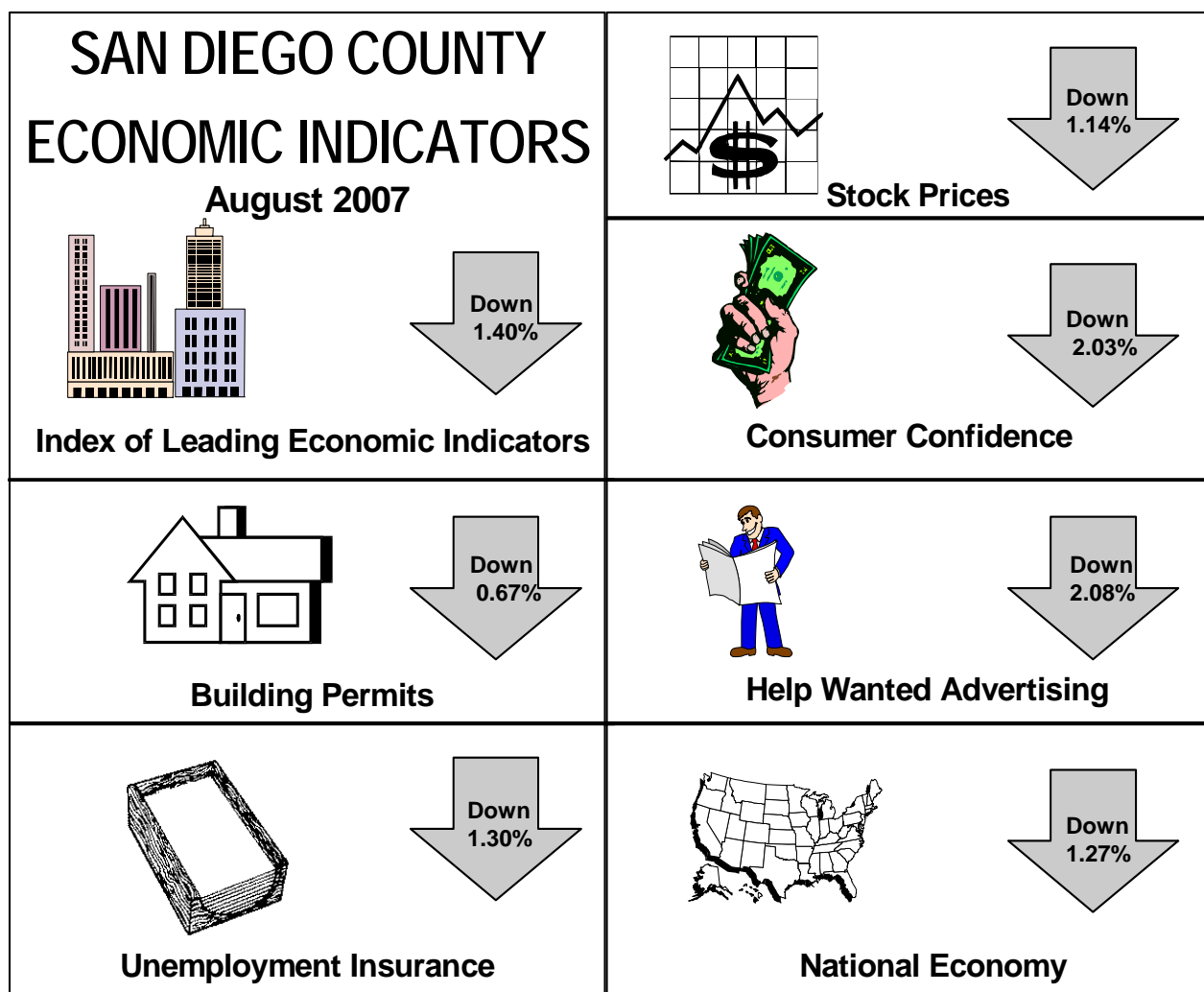


September 30, 2007

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through September 30, 2007. It compares revenues and expenditures for the first quarter of Fiscal Year 2007-08 and Fiscal Year 2006-07. In addition, the financial status of the Water and Wastewater Enterprises and the Village Project Area of the Redevelopment Agency are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles (GAAP).

Carlsbad's revenue trends appear to mirror the San Diego region in general. Therefore, on a monthly basis, this report will provide the most recent economic data for the area: The San Diego County Economic Indicators. We believe this information provides the reader with some insight on the direction of the local economy.

## SAN DIEGO ECONOMIC INDICATORS



Source: University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators*, September 27, 2007.

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**According to the USD Index of Leading Economic Indicators Report:**

The University of San Diego's Index of Leading Economic Indicators for San Diego County fell 1.4% in August. All six components in the Index were down for the month. The way the Index is calibrated, any monthly change higher than 1% is considered a large change. Using that criteria, there were big drops in initial claims for unemployment insurance, local stock prices, consumer confidence, help wanted advertising, and the outlook for the national economy. The building permits component performed the best, but was still down moderately.

August's drop was the 16<sup>th</sup> time that the USD Index of Leading Economic Indicators has fallen in the last 17 months. The last time that all six components were down in a month was in April and May of 2006. But the magnitudes of the changes back then were not as severe as this month's changes. The outlook for the local economy continues to be for weakness at least through the first half of 2008. An outright downturn is not expected, but the possibility of a recession in the local economy is at its highest point in years.

The weak housing market impacted each of the components of the Index negatively in August. After a tiny gain in July, residential units authorized by building permits reverted back to its recent negative trend as developers cut back on construction plans in reaction to the weak housing market. While both single-family and multi-family permits remain weak, the 211 single-family units authorized in August was the lowest amount since 193 units were authorized in January 1993. There is negative news on both sides of the labor market. Job loss is picking up, as reflected by weakness in initial claims for unemployment insurance. On the hiring side of the market, help wanted advertising has now fallen for the entire year. Print advertising is down considerably, and Monster.com reports declines in online advertising in real estate-related sectors and across most white-collar occupational categories. The net impact was that the local unemployment rate remained at 4.8% in August, the same as July and the highest level in three years. Local consumer confidence fell to its lowest level since October 2003. Negative news about problems with subprime loans and foreclosures were the likely cause of the drop. The big declines in stock prices during the summer were finally reflected in the decline in local stock prices in August as investors worried about the financial system being heavily impacted by the weak housing market and the subprime loan problems. The national Index of Leading Economic Indicators continued its 2007 pattern of alternating advances with declines the next month. A positive development was the Federal Reserve following up its recent cut in the discount rate with a cut in the federal funds rate. It will likely take further cuts in both rates to boost the national economy in the wake of the slump in the housing market.<sup>1</sup>

**TOP GENERAL FUND REVENUES**

**Property Taxes (\$2.3 million)** – As the majority of property tax revenue is collected in December and April each fiscal year, the property taxes collected to date are not a good indicator of what the City will be receiving during the year. According to the County of San Diego Assessor's Office, assessed values in Carlsbad have increased by 9.9% for Fiscal Year 2007-08. This is the lowest growth percentage in assessed values that the City has seen in the past five fiscal years. This reflects a countywide slow down in property valuation, but it should be noted that the City of Carlsbad still had the second largest increase year over year of any city in San Diego County.



**Sales Taxes (\$5.4 million)** – For the first quarter of the new fiscal year, sales tax revenues are \$192,000 (or 4%) higher than the same time period in the previous fiscal year. Sales tax revenues to date represent actual sales tax receipts for the second quarter of the calendar year, as well as the first advance of the City's third quarter sales tax revenues. Advances are based on prior year activity, and are not a true indicator of the current economy. The two primary factors in the 4% increase

this year include the State Board of Equalization slightly raising the growth factor applied to the monthly advance in the third quarter, and several one-time payments received as a result of audit findings from previous periods in the restaurant, light industry and grocery economic segments.

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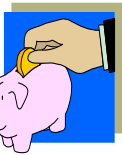
<sup>1</sup> University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators Down Sharply in August*, September 27, 2007.

For sales occurring in the second calendar quarter of 2007 (the most recent data available), key gains could be seen in new auto sales, light industry, and restaurants. During the same period, key declines could be seen in construction (wholesale and retail building materials), service stations, and miscellaneous retail. Excluding one-time payments received as the result of audit findings, payments for previous quarters, etc., actual sales tax transactions were up 0.5% for sales occurring in the twelve months ended June 30, 2007 over the same twelve-month period last year.

The largest economic segments in the City continue to be new auto sales, department stores, restaurants, apparel stores, and miscellaneous retail. Together, they generate 67% of the City's sales tax revenues.



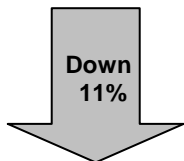
**Transient Occupancy Tax (\$4.7 million)** – Transient Occupancy Taxes (TOT) for the first quarter reflects an increase of \$540,000, 13% over the previous year. Of the 13% increase in TOT for the year, 88% is due to increased tourism throughout all of the hotels in Carlsbad; with the two largest hotels accounting for 47% of the increased tourism. Year-to-date TOT figures represent taxes collected on hotel receipts through the month of August 2007.



**Income from Investments and Property (\$1.0 million)** – For the first three months of the fiscal year, income from investments and property is up \$248,000 compared to the previous year. The higher revenue is a combination of an increase in interest income (up 34%) and an increase from the rental and sale of City-owned property (up 24%).

Interest income is up for the year due to the effects of a 16% increase in the average daily cash balance for the quarter, combined with an 8% increase in the average yield on the portfolio for the first three months of the fiscal year.

Income from property rentals and sales is up compared to the previous year primarily due to additional recreation site rentals.



**Development-Related Revenues (\$985,000)** – Development-related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflect a decrease for the year. It is anticipated that these revenues will decline in total by almost 36% for the entire fiscal year.

Development related fees are paid by developers to cover the cost of reviewing and monitoring development activities such as plan checks and inspections. The largest development-related revenue source year-to-date is engineering plan check fees. Some of the activity in September included residential development at Eucalyptus Lane, Aura Circle, Ocean Estates, La Costa Oaks North and Robertson Ranch.

Another source of development-related revenue is building permits, which are down 7% compared to last fiscal year. The decrease in building permit revenue is derived from the combination of a decrease in the valuation of new construction and a decrease in the number of residential building permits issued. The valuation of new construction in the current fiscal year is just under \$75.6 million, while it was just under \$76.7 million in the previous fiscal year, a 1.4% decrease. The number of homes permitted in Carlsbad jumped for the month of September, with a total of 74 permits being issued. In the Southwest Quadrant, 66 permits were issued for residential units as part of the live/work units within the Bluwater Crossing development located on Embarcadero Lane. In the Southeast Quadrant, six single-family permits were issued as part of the San Vincenzo neighborhood located in the Villages of La Costa Ridge. Two miscellaneous single-family permits were also issued for the month of September. For the first quarter of the fiscal year, 82 residential permits were issued, as compared to 42 permits issued during the same period last year.

Carlsbad issued 15 permits for new reportable non-residential space, for a total of 267,329 square feet in September. The non-residential space includes 162,368 square feet of commercial space as part of the live/work units within the Bluwater Crossing development. A permit was also issued for 15,821 square feet of commercial space for six buildings located at Alga Norte Park on Alicante Road. The other permits issued include 48,485 square feet of commercial space for Toyota Carlsbad and 40,655 square feet of industrial space for the Fenton Research Center. Year-to-date there has been a combined 575,551 square feet in commercial/industrial permits issued, as compared to 644,176 square feet at this time in Fiscal Year 2007.



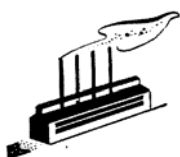
**Business License Tax (\$823,000)** – Business license revenues have increased by \$145,000 compared to Fiscal Year 2007. These results are a reflection of increased revenues received from business license renewals. As many licenses are based on gross receipts, this indicates higher sales volumes for our Carlsbad businesses. There are currently 8,627 licensed businesses, 104 more than this time last year. The majority of taxed businesses (5,825 businesses) are located

in Carlsbad, with 2,609 of these businesses home-based.



**Recreation Fees (\$729,000)** – Recreation fees are generated through instructional classes, youth and adult sports, the triathlon, and other special events, day trips, various aquatic programs, and lagoon permits. Year-to-date recreation fee revenue is \$38,000 higher than the previous fiscal year. The largest factors in this year's increase are increased participation in instructional

classes, youth and adult sports, day camps, special events and the annual triathlon. These increases were partially offset by lower revenues in arts camps, senior trips, day trippers and the various aquatic programs.



**Franchise Taxes (\$607,000)** – Franchise fees are generated from public utility sources such as San Diego Gas & Electric (SDG&E), trash collection franchises, and cable franchises conducting business within City limits. Year-to-date franchise fees are up \$24,000 over the same period last year due primarily to an increase in the quarterly franchise taxes paid by the cable franchisee.

Approximately 53% of the total franchise fee revenue anticipated for the year will be collected from SDG&E during the month of April 2008.

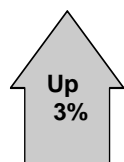


**Interdepartmental Charges (\$532,000)** – Interdepartmental charges are \$15,000, or 3% higher than last year. These charges are generated through engineering services charged to capital projects and miscellaneous interdepartmental expenses charged to funds outside the General Fund for services performed by departments within the General Fund.



**Ambulance Fees (\$469,000)** – The City bills any individual who is transported in one of the City's ambulances. Through September 2007, receipts from ambulance fees are up 40% or \$133,000 higher than last fiscal year at this time. Ambulance revenues have been impacted by an increase in the number of transported patients that were billed in the first three months of Fiscal Year

2007-08 versus Fiscal Year 2006-07 (884 in the current fiscal year versus 811 last fiscal year). In June of 2007, the City implemented an electronic transmission system, which has increased the efficiency of billing for our ambulance services.

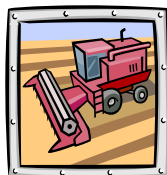
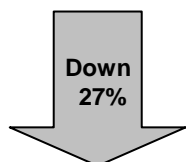


**Fines and Forfeitures (\$344,000)** – Fines and forfeitures represent fees collected for code violations, parking citations, overdue fines, and returned checks. The City recognizes revenues when the citizen pays the fine or forfeiture, as opposed to when the fine is imposed. An increase in the number of moving citations issued has led to additional revenues received by the City, although the majority of moving violation revenue is

paid to the courts for the administration of these citations.

## ADDITIONAL GENERAL FUND REVENUES

Although the top General Fund revenues represent approximately 95% of all General Fund revenues, the City does have some other revenue sources, although much smaller in scale. Each month, we will highlight other revenue sources to give you some insight as to how these revenues are derived and how they are doing in the current fiscal year.



**Other Licenses and Permits (\$206,000)** – Other licenses and permits consist of plumbing, electrical, mechanical, right-of-way, grading, conditional land use, lagoon, and other miscellaneous permit revenues. These permits usually increase/decrease along with increases/decreases in development activity.



**Other Charges or Fees (\$255,000)** – Other charges and fees are generated through the sale of City documents such as agenda bills, blueprints and copies, general fees collected for false alarms, easements and agreements, weed abatement and kiosk signs, audio/visual rental fees, and general services such as mutual aid response, mall police services, emergency response services, reports, etc. The large increase in the current fiscal year is due to a mutual aid response reimbursement related to the Castaic Lake fire, and an increase in the sale of plans and specs related to the new Alga Norte Park project.

## EXPENDITURES

Total General Fund expenditures and encumbrances through September 2007 are \$40.7 million, compared to \$36.6 million at the same time last year. This leaves \$93.3 million, or 69.6%, available through the fiscal year-end on June 30, 2008. If funds were spent in the same proportion as the previous year, the General Fund would have 70.8% available. Excluding the transfers out, contingencies, and non-departmental charges, the percentage available at September 30, 2007 is 73.5%, slightly less than the 75% available at September 30, 2006. Some of the larger factors reflected in the increase in committed funds for the current year is an update of the City's General Plan, Local Coastal Program and Zoning Ordinance planned for the 2007-08 Fiscal Year; the purchase of a fire rescue ambulance and replacement equipment; the purchase of furniture and equipment for the Senior Center expansion; an increase in routine and emergency traffic signal maintenance; and additional funds transferred to the Infrastructure Replacement Fund for the future major maintenance and replacement of City infrastructure.

The City Council has allocated \$2.24 million out of the General Fund budget to be available for unanticipated emergencies or unforeseen program needs. As of September 30, 2007, just over \$255,000 has been authorized out of the contingency account, as shown in the chart below.

CONTINGENCY ACCOUNT USE OF FUNDS			
EXPLANATION	AMOUNT	DATE	RESOLUTION NUMBER
<b>ADOPTED BUDGET</b>	\$2,240,000		
<b>USES:</b>			
School Adult Crossing Guard Services Contract	(27,610)	08/07/2007	2007-202
Purchase of a Fire Rescue Ambulance and Replacement Equipment	(156,670)	09/11/2007	2007-237
"In Kind" Service Assistance for the 2007 La Costa Canyon Homecoming Parade	(1,052)	09/18/2007	2007-249
City Manager Recruitment Expenses	(70,000)	09/18/2007	2007-250
<b>TOTAL USES</b>	<u>(255,332)</u>		
<b>AVAILABLE BALANCE</b>	<u><b>\$1,984,668</b></u>		

Detailed schedules of General Fund revenues and expenditures are provided on the following pages.

GENERAL FUND REVENUE COMPARISON					
	EXPECTED BUDGET AS OF 09/30/07	ACTUAL FY 2007 AS OF 09/30/06	ACTUAL FY 2008 AS OF 09/30/07	CHANGE FROM YTD 2007 TO YTD 2008	PERCENT CHANGE
<b>TAXES</b>					
PROPERTY TAX	\$2,451,955	\$2,142,207	\$2,325,186	\$182,979	9%
SALES TAX	5,327,488	5,198,818	5,390,341	191,523	4%
TRANSIENT TAX	4,440,222	4,206,306	4,745,951	539,645	13%
FRANCHISE TAX	614,042	583,805	607,383	23,578	4%
BUSINESS LICENSE TAX	728,189	678,395	823,332	144,937	21%
TRANSFER TAX	78,615	97,927	95,690	(2,237)	-2%
<b>TOTAL TAXES</b>	<b>13,640,511</b>	<b>12,907,458</b>	<b>13,987,883</b>	<b>1,080,425</b>	<b>8%</b>
<b>INTERGOVERNMENTAL</b>					
VEHICLE LICENSE FEES	277,720	270,280	139,317	(130,963)	-48%
HOMEOWNERS EXEMPTIONS	0	0	0	0	0%
OTHER	402,360	447,228	218,613	(228,615)	-51%
<b>TOTAL INTERGOVERNMENTAL</b>	<b>680,080</b>	<b>717,508</b>	<b>357,930</b>	<b>(359,578)</b>	<b>-50%</b>
<b>LICENSES AND PERMITS</b>					
BUILDING PERMITS	179,115	249,955	232,520	(17,435)	-7%
OTHER LICENSES & PERMITS	227,174	282,384	205,727	(76,657)	-27%
<b>TOTAL LICENSES &amp; PERMITS</b>	<b>406,289</b>	<b>532,339</b>	<b>438,247</b>	<b>(94,092)</b>	<b>-18%</b>
<b>CHARGES FOR SERVICES</b>					
PLANNING FEES	137,949	341,616	227,447	(114,169)	-33%
BUILDING DEPARTMENT FEES	147,120	158,747	164,580	5,833	4%
ENGINEERING FEES	229,360	361,176	360,663	(513)	0%
AMBULANCE FEES	391,250	335,416	468,615	133,199	40%
RECREATION FEES	705,878	691,449	729,118	37,669	5%
OTHER CHARGES OR FEES	158,873	155,090	254,743	99,653	64%
<b>TOTAL CHARGES FOR SERVICES</b>	<b>1,770,430</b>	<b>2,043,494</b>	<b>2,205,166</b>	<b>161,672</b>	<b>8%</b>
<b>FINES AND FORFEITURES</b>	<b>286,895</b>	<b>333,391</b>	<b>343,737</b>	<b>10,346</b>	<b>3%</b>
<b>INCOME FROM INVESTMENTS &amp; PROPERTY</b>	<b>777,111</b>	<b>777,966</b>	<b>1,025,721</b>	<b>247,755</b>	<b>32%</b>
<b>INTERDEPARTMENTAL CHARGES</b>	<b>642,500</b>	<b>517,048</b>	<b>531,676</b>	<b>14,628</b>	<b>3%</b>
<b>OTHER REVENUE SOURCES</b>	<b>212,693</b>	<b>118,399</b>	<b>153,679</b>	<b>35,280</b>	<b>30%</b>
<b>TOTAL GENERAL FUND</b>	<b>\$18,416,509</b>	<b>\$17,947,603</b>	<b>\$19,044,039</b>	<b>\$1,096,436</b>	<b>6%</b>
(1)					
(1) Calculated General Fund revenues are 3.4% above estimates as of September 2007.					

GENERAL FUND EXPENDITURE STATUS BY DEPARTMENT					
DEPT	DESCRIPTION	TOTAL	AS OF 09/30/07		
		BUDGET FY 2007-08	AMOUNT COMMITTED (b)	AVAILABLE BALANCE	% AVAILABLE*
POLICY/LEADERSHIP GROUP					
	CITY COUNCIL	\$428,883	\$82,053	\$346,830	80.9%
	CITY MANAGER	1,820,702	441,861	1,378,841	75.7%
	COMMUNICATIONS	1,392,755	385,594	1,007,161	72.3%
	CITY CLERK	197,614	72,957	124,657	63.1%
	CITY ATTORNEY	1,385,863	289,566	1,096,297	79.1%
	CITY TREASURER	211,025	44,458	166,567	78.9%
	TOTAL POLICY/LEADERSHIP	5,436,842	1,316,489	4,120,353	75.8%
ADMINISTRATIVE SERVICES					
	ADMINISTRATION	1,087,833	202,956	884,877	81.3%
	ENVIRONMENTAL RESOURCES MGMT.	160,450	101	160,349	99.9%
	FINANCE	3,786,912	952,419	2,834,493	74.8%
	HUMAN RESOURCES	3,771,159	848,057	2,923,102	77.5%
	RECORDS MANAGEMENT	1,023,703	225,619	798,084	78.0%
	TOTAL ADMINISTRATIVE SERVICES	9,830,057	2,229,152	7,600,905	77.3%
PUBLIC SAFETY					
	POLICE	26,907,282	6,384,661	20,522,621	76.3%
	FIRE	18,918,215	4,804,819	14,113,396	74.6%
	TOTAL PUBLIC SAFETY	45,825,497	11,189,480	34,636,017	75.6%
COMMUNITY DEVELOPMENT					
	COMMUNITY DEVELOPMENT ADMIN	3,341,806	2,217,983	1,123,823	33.6%
	HIRING CENTER (c)	88,000	83,051	4,949	5.6%
	GEOGRAPHIC INFORMATION	558,867	110,267	448,600	80.3%
	ECONOMIC DEV/REAL ESTATE MANAGEMENT	321,539	63,440	258,099	80.3%
	PLANNING	5,072,550	1,180,699	3,891,851	76.7%
	BUILDING	2,350,420	813,657	1,536,763	65.4%
	TOTAL COMMUNITY DEVELOPMENT	11,733,182	4,469,097	7,264,085	61.9%
COMMUNITY SERVICES					
	PARK PLANNING & RECREATION	6,746,851	1,573,761	5,173,090	76.7%
	SENIOR PROGRAMS	1,396,283	659,571	736,712	52.8%
	LIBRARY	10,905,905	2,389,415	8,516,490	78.1%
	CULTURAL ARTS	999,824	248,769	751,055	75.1%
	TOTAL COMMUNITY SERVICES	20,048,863	4,871,516	15,177,347	75.7%
PUBLIC WORKS					
	PUBLIC WORKS ADMINISTRATION	1,828,230	285,007	1,543,223	84.4%
	ENGINEERING	10,681,397	2,673,149	8,008,248	75.0%
	PARKS	6,177,615	1,838,926	4,338,689	70.2%
	STREETS & TRAFFIC SIGNALS	4,495,178	1,682,922	2,812,256	62.6%
	FACILITIES	5,292,751	1,588,068	3,704,683	70.0%
	TOTAL PUBLIC WORKS	28,475,171	8,068,072	20,407,099	71.7%
NON-DEPARTMENTAL & CONTINGENCY					
	OTHER NON-DEPARTMENTAL (a)	2,013,966	358,198	1,655,768	82.2%
	TRANSFERS OUT	8,621,800	8,175,000	446,800	5.2%
	CONTINGENCY	1,984,668	0	1,984,668	100.0%
	TOTAL NON-DEPT & CONTINGENCY	12,620,434	8,533,198	4,087,236	32.4%
TOTAL GENERAL FUND		\$133,970,046	\$40,677,004	\$93,293,042	69.6%

(a) Other non-departmental expenses include property tax administration fees, assessment district administration, citywide litigation expenses, 2005 storm damage costs and other items not attributed to a specific department.

(b) Total committed includes expenditures and encumbrances.

(c) The Hiring Center contracts are encumbered in full at the beginning of each year, thereby reducing the available funds.

\* Amount available would be 70.8% if funds were spent in the same proportion as the previous year.



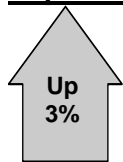
**WATER ENTERPRISE**

**WATER OPERATIONS FUND  
SEPTEMBER 30, 2007**

	BUDGET FY 2007-08	YTD 09/30/2006	YTD 09/30/2007	CHANGE FROM YTD 2006-07 TO YTD 2007-08	PERCENT CHANGE
<b>REVENUES</b>					
WATER SALES	16,218,282	4,771,011	5,054,273	283,262	5.9%
CHARGES FOR CURRENT SERVICES	5,315,922	1,071,432	1,099,415	27,983	2.6%
PROPERTY TAXES	2,488,479	69,868	74,284	4,416	6.3%
FINES, FORFEITURES & PENALTIES	255,000	69,711	75,877	6,166	8.8%
INTEREST	326,216	126,028	77,789	(48,239)	-38.3%
OTHER REVENUES	514,500	113,008	90,000	(23,008)	-20.4%
<b>TOTAL OPERATING REVENUE</b>	<b>25,118,399</b>	<b>6,221,058</b>	<b>6,471,638</b>	<b>250,580</b>	<b>4.0%</b>
<b>EXPENSES</b>					
STAFFING	3,039,451	675,416	666,148	(9,268)	-1.4%
INTERDEPARTMENTAL SERVICES	2,326,132	557,933	583,209	25,276	4.5%
PURCHASED WATER	13,500,000	2,678,913	2,765,643	86,730	3.2%
MWD/CWA FIXED CHARGES	2,689,925	401,146	423,873	22,727	5.7%
OUTSIDE SERVICES/MAINTENANCE	630,617	127,949	57,142	(70,807)	-55.3%
DEPRECIATION/REPLACEMENT	2,993,000	491,750	525,000	33,250	6.8%
CAPITAL OUTLAY	11,650	0	3,856	3,856	100.0%
MISCELLANEOUS EXPENSES	1,122,536	116,355	188,112	71,757	61.7%
<b>TOTAL OPERATING EXPENSES</b>	<b>26,313,311</b>	<b>5,049,462</b>	<b>5,212,983</b>	<b>163,521</b>	<b>3.2%</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>(1,194,912)</b>	<b>1,171,596</b>	<b>1,258,655</b>	<b>87,059</b>	<b>7.4%</b>

**Revenues**

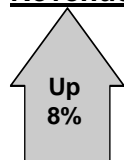
- The increase in water sales is the result of a 4.9% increase in the number of water unit sales combined with a 5% rate increase that went into effect on August 1, 2006.
- An additional 2,481 residential water customers over the last twelve months and a 5% increase in the monthly delivery charge of water that went into effect on August 1, 2006, have impacted charges for current services in the 2007-08 Fiscal Year.
- An increase in late charges is reflected in higher fines, forfeitures and penalties. Late charges are 10% of a water bill, and tend to go up as water sales and the customer base increase.
- The decrease in interest revenue is due to the Marbella settlement costs and legal fees paid by the Enterprise in August 2007, but reflected in the 2006-07 Fiscal Year expenses.

**Expenses**

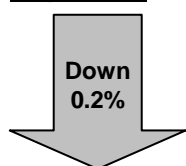
- Lower staffing costs are the result of one-time vacation and leave payouts for retired employees paid out in the prior fiscal year.
- An increase in engineering services charged to water operations and higher information technologies charges are the primary factors in the change in interdepartmental services.
- Purchase water expenses lag water sales by one month. The increase through September 2007 is the net result of a 2.6% decrease in the number of units purchased, combined with a 6% increase in the cost of purchased water.
- Costs in Fiscal Year 2006-07 related to the proposed desalination facility and prior year asphalt/street repairs, are reflected in the decrease in outside services and maintenance.
- Additional Marbella settlement costs and legal fees in the current fiscal year created the large increase in miscellaneous expenses.

**WASTEWATER ENTERPRISE**

<b>WASTEWATER OPERATIONS FUND</b>					
<b>SEPTEMBER 30, 2007</b>					
	<b>BUDGET FY 2007-08</b>	<b>YTD 09/30/2006</b>	<b>YTD 09/30/2007</b>	<b>CHANGE FROM YTD 2006-07 TO YTD 2007-08</b>	<b>PERCENT CHANGE</b>
<b>REVENUES</b>					
CHARGES FOR CURRENT SERVICES	8,320,565	1,896,727	2,065,765	169,038	8.9%
INTEREST	145,770	64,918	62,712	(2,206)	-3.4%
OTHER REVENUES	273,436	68,372	63,036	(5,336)	-7.8%
<b>TOTAL OPERATING REVENUE</b>	<b>8,739,771</b>	<b>2,030,017</b>	<b>2,191,513</b>	<b>161,496</b>	<b>8.0%</b>
<b>EXPENSES</b>					
STAFFING	1,494,962	288,625	238,800	(49,825)	-17.3%
INTERDEPARTMENTAL SERVICES	1,269,141	264,296	281,406	17,110	6.5%
ENCINA PLANT SERVICES	3,382,381	0	0	0	100.0%
OUTSIDE SERVICES/MAINTENANCE	271,484	40,393	40,012	(381)	-0.9%
DEPRECIATION/REPLACEMENT	3,332,000	527,500	635,000	107,500	20.4%
CAPITAL OUTLAY	816,200	46,259	0	(46,259)	-100.0%
MISCELLANEOUS EXPENSES	409,622	82,883	52,496	(30,387)	-36.7%
<b>TOTAL OPERATING EXPENSES</b>	<b>10,975,790</b>	<b>1,249,956</b>	<b>1,247,714</b>	<b>(2,242)</b>	<b>-0.2%</b>
<b>OPERATING INCOME/LOSS</b>	<b>(2,236,019)</b>	<b>780,061</b>	<b>943,799</b>	<b>163,738</b>	<b>21.0%</b>

**Revenues**

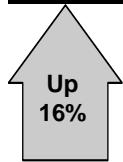
- The increase in charges for current services is primarily the result of an additional 2,176 new residential sewer customers over the past twelve months, as well as an 8.5% rate increase that went into effect on August 1, 2006.
- Decreased interest revenue is the result of an 18% lower average daily cash balance combined with an 8% increase in the yield on the portfolio for the year.

**Expenses**

- Reduced staffing expenses are the result of temporary vacancies as well as one-time vacation and leave payouts for retired employees paid out in the prior fiscal year.
- An increase in engineering services charged to sewer operations and information technology services are the primary factors in higher interdepartmental services.
- Higher depreciation expenses are the result of recently acquired wastewater infrastructure, facilities and equipment.
- Capital outlay expenses in the prior fiscal year included the purchase of a submersible pump.
- A reduction in the safety equipment purchases in the current fiscal year combined with the payment of arbitrage costs related to the wastewater bonds in the prior fiscal year, account for the decrease in miscellaneous expenses.

**REDEVELOPMENT AGENCY**

<b>CARLSBAD REDEVELOPMENT AGENCY</b> <b>VILLAGE PROJECT AREA</b> <b>OPERATIONS, DEBT SERVICE AND CAPITAL FUNDS</b> <b>SEPTEMBER 30, 2007</b>					
	BUDGET FY 2007-08	YTD 09/30/2006	YTD 09/30/2007	CHANGE FROM YTD 2006-07 TO YTD 2007-08	PERCENT CHANGE
<b>REVENUES</b>					
PROPERTY TAXES	2,748,000	0	0	0	0.0%
INTEREST	70,000	17,980	31,760	13,780	76.6%
OTHER REVENUES	48,500	29,698	23,465	(6,233)	-21.0%
<b>TOTAL OPERATING REVENUE</b>	<b>2,866,500</b>	<b>47,678</b>	<b>55,225</b>	<b>7,547</b>	<b>15.8%</b>
<b>EXPENDITURES</b>					
STAFFING	186,474	36,817	50,128	13,311	36.2%
INTERDEPARTMENTAL SERVICES	94,893	21,315	23,723	2,408	11.3%
RENTALS & LEASES	170,254	121,545	125,052	3,507	2.9%
DEBT EXPENSE	1,046,165	737,633	748,608	10,975	1.5%
CAPITAL OUTLAY	992,874	20,934	376,304	355,370	1697.6%
OUTSIDE SERVICES, MAINT & MISC	141,074	109,013	39,635	(69,378)	-63.6%
<b>TOTAL OPERATING EXPENDITURES</b>	<b>2,631,734</b>	<b>1,047,257</b>	<b>1,363,450</b>	<b>316,193</b>	<b>30.2%</b>
<b>TOTAL OPERATING REVENUES OVER EXPENDITURES</b>	<b>234,766</b>	<b>(999,579)</b>	<b>(1,308,225)</b>	<b>(308,646)</b>	<b>30.9%</b>

**Revenues**

- Assessed values for the year have increased by 2.2% in the Village Redevelopment Area. The first installment of property tax revenues will be received in October 2007.
- Increased interest revenue is the result of a 52% higher average daily cash balance combined with an 8% increase in the yield on the portfolio for the year.
- The expiration of the Children's Museum building lease and the Pizza Port parking lot lease have negatively impacted other revenues.

**Expenditures**

- Increased staffing costs are the result of normal salary and related benefits increases, the reallocation of staff salaries and the filling of a previously vacant part-time position.
- Higher interdepartmental charges are the result of the increased costs of information technology services.
- Debt expenses to date represent the first of two bond payments by the Agency.
- The majority of the capital outlay expenditures relate to the Senior Center expansion.
- During the previous fiscal year, the Agency was conducting a downtown village retail analysis and revitalization project, as well as performing a design standards review, as reflected in the reduction in outside services, maintenance and miscellaneous expenditures.